Government of Saskatchewan

Annual Report 1984 — 1985

The Saskatchewan Agricultural Returns Stabilization Fund

Annual Report of the Saskatchewan Agricultural Returns Stabilization Fund

1984 - 1985

Letters of Transmittal

To His Honour
The Honourable F. W. Johnson
Lieutenant Governor
of the Province of Saskatchewan.

Sir:

I have the honour to submit the annual report of the Saskatchewan Agricultural Returns Stabilization Fund for the twelve months ending March 31, 1985.

I have the honour to be, Sir,
Your obedient servant,

Grant Devine,
Premier and
Minister of Agriculture

Honourable Grant Devine,
Premier and
Minister of Agriculture

Dear Sir:

It is my pleasure to present the Annual Report of the Saskatchewan Agriculture Returns Stabilization Fund for the twelve months ending March 31, 1985.

Respectfully submitted,

Jack Drew
Deputy Minister
of Agriculture

Annual Report of The Saskatchewan Agricultural Returns Stabilization Fund 1984 - 1985

The Fund

The Saskatchewan Agricultural Returns Stabilization Fund was established pursuant to Section 5 of *the Saskatchewan Agricultural Returns Stabilization Act*. The fund was established to carry out programs established under the act.

The Fund has separate accounts for each market insurance program established pursuant to the act. In 1984/85 the Fund had three accounts for the three market insurance plans. The accounts were:

a) the cow calf to finish account for the cow calf to finish market insurance plan,

b) the feeder finish account for the feeder finish market insurance plan, and

c) the Saskatchewan Hog Assured Returns Program account for the Saskatchewan Hog Assured Returns Program (SHARP)

Each account is established for operating the plans. Each account obtains revenue from levies assessed on eligible animals sold by participating producers. The levies paid by participating producers are matched by the Government of Saskatchewan. Whenever the plan makes any payouts, they are made from the account. Each account earns interest on fund balances and pays interest on fund deficits.

When an account does not have a sufficient balance to make a payment it can borrow money from the Consolidated Fund of the Province. The terms and conditions of these loans are determined by the Lieutenant Governor in Council.

Accounts in the Fund

1. Cow Calf to Finish Account
The cow calf to finish market insurance plan provides protection to producers who have a cow herd and finish their calves for slaughter. The support level is calculated on the basis of a cost of production model and includes all cash costs plus 50% of non cash costs.

Enrollment is based on the cow herd with payments based on actual marketings up to a maximum of 90% of the enrolled cow herd. The maximum enrollment is 200 slaughter animals per operator up to a maximum of 3 operators per production unit.

The plan is funded by a levy on slaughter animals. The long term levy is 4% of the value of the slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy has been increased to 6% due to the large deficit.

2. Feeder Finish Account
The feeder finish market insurance plan provides protection to Saskatchewan residents who own or purchase feeder cattle and finish them for slaughter. The support level is calculated on the basis of a cost of production model for a 650 lb. steer finished to 1050 lbs. All cash costs and 50% of non cash costs are included in the support formula.

Enrollment is based on whether the resident is a feedlot operator or a custom feeder. The maximum finished cattle for any resident is 5000 up to a multiple of three for an owner-operator feedlot.

The plan is funded by a levy on slaughter animals. The long term levy is 2% of the value of a slaughter animal matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1984-85 was 2.5% due to the deficit in the account.

3. SHARP Account
The Saskatchewan Hog Assured Returns Program provides protection to producers who finish hogs for slaughter. The support level is calculated on the basis of a cost of production model for a 65 sow farrow to finish operation. All cash costs and 75% of non cash costs are included in the support formula.

Enrollment is based on the production unit which finishes hogs. The maximum enrollment is 1500 hogs per quarter per production unit.

The plan is funded by a levy on finished hogs. The long term levy is 3% of the value of a finished hog, matched by the government. The plan has a levy adjustment mechanism based on interest rates and fund balances. The levy for 1984-85 was increased from 3.5% to 4.5%.

Plan Operations

Slaughter Cattle Plans

Slaughter cattle prices improved somewhat over the 1983-84 period. However, payouts were still made in every quarter under both the cow calf to finish plan and the feeder finish plan.

The deficit in the cow calf to finish plan increased from $35.055 to $36.542 mil. The deficit in the feeder finish plan increased from $3.124 mil to $3.224 mil.

The plan operations for the fiscal year are as follows:

Cow Calf to Finish Plan

	1984			1985
	Q2	Q3	Q4	Q1
Slaughter cattle covered	29, 144	37,716	17,568	16,533
Support price[1]	$1.4352	1.4520	1.4643	1.4752
Market price[1]	$1.3654	1.3080	1.3733	1.4015
Average payout[1]	$0.0698	0.1440	0.0910	0.0737
Total payout	$1,069,044	3,389,281	873,818	719,258
Producer levies	$1,330,291	1,871,613	736,341	1,053,956

[1]/basis rail grade hot carcass weight

Feeder Finish Plan
1984-1985

	1984			1985
	Q2	Q3	Q4	Q1
Slaughter cattle covered	11, 080	25,243	17,739	20,041
Support price[1]	$1.3905	1.4157	1.3929	1.4076
Market price[1]	$1.3654	1.3080	1.3733	1.4015
Average payout[1]	$0.0480	0.1090	0.0329	0.0194
Total payout	$312,273	1,753,651	318,931	243,794
Producer levies	$223,038	391,646	427,081	471,846

[1]/basis rail grade hot carcass weight

SHARP

	1984			1985
	Q2	Q3	Q4	Q1
Hogs in plan	147,978	139,650	154,836	171,930
Support price	$78.02	79.36	79.64	80.68
Market price	$69.40	74.77	68.54	69.19
Average payout	$8.62	4.59	11.10	11.52
Total payout	$2,249,813	1,161,155	3,087,738	3,492,907
Producer levies	$653,162	656,504	675,383	749,211

Financial Statements

Year Ended March 31, 1985

Auditor's Report

To the Members of the Legislative Assembly,
Province of Saskatchewan

I have examined the balance sheet of The Saskatchewan Agricultural Returns Stabilization Fund as at March 31, 1985, and the statement of revenue and expenditure and fund balance for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

Because the Saskatchewan Beef Stabilization Board had not established a timely system to invoice producers for animals marketed outside the Board, an estimated amount for the potential contributions receivable as at March 31, 1985 was recorded as follows:

Contributions receivable	
Cow Calf to Finish Market Insurance Plan	
Government of Saskatchewan	$357,885
Producers	$357,885
Feeder Finish Market Insurance Plan	
Government of Saskatchewan	$ 65,232
Producers	$ 65,232

Since it was impracticable for me to extend my examination to verify this information, I was unable to determine whether an adjustment might be necessary to contributions receivable, fund deficiency, revenue (producer contributions and Government of Saskatchewan) and the excess of revenue over expenditure for the Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan.

In my opinion, except for the effect of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself with respect to the balance of contributions receivable described in the preceding paragraph, these financial statements present fairly the financial position of the fund as at March 31, 1985, and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Regina, Saskatchewan,
August 1, 1985.

Balance Sheet

Statement 1
As at March 31

	1985				1984
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	(Note 3 & 6)
ASSETS					
Cash	$ 150,335	$ 899,771	$ 618,898	$ 1,669,004	$ 1,029,383
Short-term investments	497,426	—	—	497,426	—
Contributions receivable					
— Government of Saskatchewan	765,989	869,037	324,447	1,959,473	2,380,074
— Saskatchewan Pork Producers Marketing Board	520,282	—	—	520,282	558,353
— Producers	3,624	409,371	74,569	487,564	204,751
— Saskatchewan Beef Stabilization Board — producers trust account	—	247,138	153,349	400,487	472,440
Accrued interest receivable	7,308	6,038	3,802	17,148	5,125
Accounts receivable	—	270	—	270	251
	$1,944,964	$2,431,625	$1,175,065	$5,551,654	$4,650,377
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 3,492,905	$ 808,225	$ 251,694	$ 4,552,824	$ 5,213,161
Loans — Department of Agriculture	11,400,000	36,542,220	3,223,733	51,165,953	43,998,997
Accrued interest payable	590,467	1,384,725	196,431	2,171,623	2,655,002
Fund Balance					
(Fund deficiency) — Statement 2	(13,538,408)	(36,303,545)	(2,496,793)	(52,338,746)	(47,216,783)
	$ 1,944,964	$ 2,431,625	$1,175,065	$ 5,551,654	$ 4,650,377

Statement of Revenue and Expenditure and Fund Balance

Statement 2

For the Year Ended March 31

	1985				1984
	Saskatchewan Hog Assured Returns Program	Cow Calf to Finish Market Insurance Plan	Feeder Finish Market Insurance Plan	Total	(Note 3 & 6)
Revenue					
Producer contributions	$ 2,736,481	$ 4,992,201	$ 1,513,611	$ 9,242,293	$ 7,997,764
Government of Saskatchewan	2,736,481	4,992,201	1,513,611	9,242,293	7,997,764
Administrative cost recovery — Government of Saskatchewan	—	—	—	—	15,300
Interest	39,713	158,158	55,061	252,932	204,148
	5,512,675	10,142,560	3,082,283	18,737,518	16,214,976
Expenditure					
Stabilization to producers	10,062,508	6,051,401	2,628,649	18,742,558	24,590,921
Administrative costs	—	—	—	—	15,300
Loan interest (Note 5)	1,073,862	3,659,466	379,075	5,112,403	4,634,361
Bank charges	—	4,070	450	4,520	4,787
	11,136,370	9,714,937	3,008,174	23,859,481	29,245,369
Excess of revenue over expenditure (expenditure over revenue)	(5,623,695)	427,623	74,109	(5,121,963)	(13,030,393)
Fund balance (deficiency), beginning of year (Note 6)	(7,785,202)	(36,731,168)	(2,570,902)	(47,087,272)	(34,056,879)
Special interest adjustment (Note 3)	(129,511)	—	—	(129,511)	(129,511)
Fund balance (deficiency), beginning of year as restated	(7,914,713)	(36,731,168)	(2,570,902)	(47,216,783)	(34,186,390)
Fund balance (deficiency), end of year	$(13,538,408)	$(36,303,545)	$(2,496,793)	$(52,338,746)	$(47,216,783)

(See accompanying notes)

Notes to Financial Statements

March 31, 1985

1. **Accounting Policies**
   These financial statements are prepared in accordance with generally accepted accounting principles.

   Revenue Recognition
   Producer contributions and government contributions are recognized on the basis of slaughter date.

2. **Authority**
   a) **Establishment of Program**
      i) Saskatchewan Hog Assured Returns Program (SHARP)

      This program was established in 1976 under regulations issued pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975. These regulations have been revoked and the program continues under The Saskatchewan Hog Assured Returns Program Regulations, 1983 (Order-in-Council 998/83) effective July 1, 1983. These regulations were subsequently amended by Order-in-Council 1399/83 effective September 15, 1983, and Order-in-Council 1170/84 effective September 27, 1984.

      Section 3(2) of the regulations stipulates that the plan is to be reviewed on January 1, 1987. Provision has been made in the regulations for an earlier review of the plan.

      ii) Cow Calf to Finish Market Insurance Plan

      This Plan was established under regulations authorized by Order-in-Council 457/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

      Section 3(2) of the regulations stipulates that the plan is to be reviewed on January 1, 1987. Provision has been made in the regulations for an earlier review of the plan.

      iii) Feeder Finish Market Insurance Plan

      This Plan was established under regulations authorized by Order-in-Council 456/83 pursuant to the Saskatchewan Agricultural Returns Stabilization Act, 1975.

      Section 3(2) of the regulations stipulates that the plan is to be reviewed on April 1, 1987. Provision has been made in the regulations for and earlier review of the plan.

   b) **Government Contributions**
   In accordance with Section 6(2) of The Saskatchewan Hog Assured Returns Program Regulations, 1983 and in accordance with Section 7(2) of both The Cow Calf to Finish Market Insurance Plan Regulations and The Feeder Finish Market Insurance Plan Regulations, the Department of Agriculture, from money appropriated under the Act, remits an amount equal to the amount of levies charged to participants after the end of each quarter.

   c) **Distribution on Termination**
   Provision is made in Section 4 of the regulations for a distribution of the fund balance if the program is ended. Any surplus, as determined by the regulations, which remains if the program ends will be shared equally between the participants and the Consolidated Fund of the Province. Any deficit, as determined by regulation, would be repaid by the Department of Agriculture, from money appropriated under the Act.

   d) **Loans from the Department of Agriculture**
      i) Saskatchewan Hog Assured Returns Program

      In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 124/82 authorized loans not exceeding $7.5 million to be made to the fund which will bear interest at a rate calculated April 1 and October 1 each year based on the preceding six month average cost of money to the Consolidated Fund for that period. The interest rate is applied at the end of each six month period to all outstanding loans from the Consolidated Fund to the plan. At the end of each six month period, the administrator determines if any funds are available for paying the interest and principle of loans after all payouts from the operation of the plan have been made with such payments firstly being applied to interest.

      During the year, Order-in-Council 902/84 amended the borrowing limit to $10 million and Order-in-Council 22/85 amended the borrowing limit to $15 million. Subsequent to year-end, Order-in-Council 685/85 increased the borrowing limit to $25 million.

ii) Cow Calf to Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 652/83 authorized loans not exceeding $40 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period. Subsequent to year end, interest payment terms were changed (see Note 5).

iii) Feeder Finish Market Insurance Plan

In accordance with Section 9 of the Act, loans can be made to the Fund when the balance is insufficient to make payments to participants. Order-in-Council 651/83 authorized loans not exceeding $5 million to be made to the Beef Stabilization Account, which will bear interest at a rate calculated April 1 and October 1 each year based on the average cost of money to the Province for each six month period.

3. **Interest Adjustment**
During the year the Saskatchewan Hog Assured Returns Program was billed for interest owing in the amount of $129,511 on the loan from the Department of Agriculture which had not previously been billed by the Department of Agriculture or provided for in the accounts by the Program. As the interest relates to 1980, a retroactive adjustment has been made to the opening fund deficiency.

4. **Related Party Transactions**

Administrative Expenses
The Saskatchewan Hog Assured Returns Program (SHARP) is administered by the Saskatchewan Pork Producers Marketing Board. Up until June 30, 1983, an amount was reimbursed to SHARP by the Department of Agriculture for costs of administration which were charged by the board with such revenue being included in the statement of revenue and expenditure. Effective July 1, 1983, in accordance with the implementation of the regulations authorized by Order-in-Council 998/83, the Minister of Finance reimburses the Board directly for costs the Board incurs as administrator of the plan. Accordingly, these amounts are not included in these financial statements.

The Cow Calf to Finish Market Insurance Plan and the Feeder Finish Market Insurance Plan are administered by the Saskatchewan Beef Stabilization Board. The amounts reimbursed directly to the Board by the Department of Agriculture for costs charged as administration are not included in these financial statements.

5. **Subsequent Event - Loan Interest**
Order-in-Council 652/83 referred to in note 2(d) (ii) was repealed by Order-in-Council 790/85 dated July 15, 1985. The terms and conditions on loans to the Cow Calf to Finish account have been changed to provide that no interest is charged as and from October 1, 1984 on the first $13,127,303 of the loan. The financial statements have been prepared in accordance with Order-in-Council 790/85. Had this Order-in-Council not been retroactive to October 1, 1984, loan interest on the statement of revenue and expenditure and fund balance would have been increased from $3,659,466 to $4,418,763.

6. **Comparative Figures Restated**
The March 31, 1984 comparative figures have been restated to reflect an accrual for levies on producer marketings outside the Saskatchewan Beef Stabilization Board. As a result, on the balance sheet, the balances for contributions receivable — Government of Saskatchewan and producers have both been increased by $141,039, fund deficiency has been decreased by $282,078. On the statement of revenue and expenditure and fund balance revenues of the producer contributions and Government of Saskatchewan have both been increased by $141,039 and the excess of expenditure over revenue has been decreased by $282,078.